


BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2001-109-C - ORDER NO. 2001-644
JULY 6, 2001

IN RE: Application of Connect Telecommunications, LLC for a Certificate of Public Convenience and Necessity to Provide Local Exchange Telecommunications Services in the State of South Carolina and for Flexible Regulation.)	ORDER GRANTING CERTIFICATE FOR LOCAL SERVICES AND FOR FLEXIBLE REGULATION
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This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Connect Telecommunications, LLC ("Connect") or the "Company") requesting a Certificate of Public Convenience and Necessity to provide competitive local exchange telecommunications services in the State of South Carolina. In addition, the Company requests that the Commission regulate its local service in accordance with the principles and procedures established for flexible regulation by Order No. 98-165 in Docket No. 97-467-C. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2000) and Section 253 of the Telecommunications Act of 1996.

By letter, the Commission's Executive Director instructed Connect to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The proposed Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. Connect complied with this instruction and provided the Commission with proof of publication of the

Notice of Filing.

Prior to the hearing which was held on June 13, 2001, counsel for the South Carolina Telephone Coalition notified the Commission that it had entered into a Stipulation agreement in which Connect stipulated that it would seek authority in non-rural local exchange (“LEC”) service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until Connect provided written notice of its intent prior to the date of the intended service. Connect also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. Connect agreed to abide by all State and Federal laws and to participate to the extent that it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting of a statewide Certificate of Public Convenience and Necessity to Connect to provide local services provided the conditions contained in the Stipulation are met. The Stipulation was entered into the evidence of the hearing, and the Staff requested that the Stipulation be approved by the Commission. The Stipulation is approved and attached as Order Exhibit 1.

Due to the unusual and unprecedented nature of this Application for a Certificate of Public Convenience and Necessity, Staff Counsel, at the beginning of the hearing held on June 13, 2001, outlined Connect Telecommunications, Inc.'s history with this Commission. The record reveals that Southern Phon Reconnex, Inc. d/b/a Connect Telecommunications, Inc. applied for and received authority from this Commission to provide local exchange telecommunications services within the State of South Carolina on June 1, 1998, in Order No. 98-403, Docket No. 98-41-C. Mr. D. D. Washington, current President of Connect Telecommunications, LLC, was a

partner of Southern Phon Reconnex, Inc. d/b/a Connect Telecommunications, Inc. that received this authority and began to provide prepaid local exchange services in South Carolina. In early 1999, the name of the Company was changed to Connect Telecommunications, Inc. and this Commission issued Order, No. 1999-168 on March 8, 1999, in Docket No. 98-041-C approving the modification of the name and amending the Certificate. Connect Telecommunications, Inc. continued to do business in South Carolina as a reseller of prepaid local exchange telecommunications services. In March of 2000, Mr. D. D. Washington, then General Manager of Connect Telecommunications, Inc. requested that this Commission transfer Connect's Certificate into his name d/b/a Connect Telecommunications. Upon Commission request, Mr. Washington submitted documentation which indicated that the original corporation that had been formed to do business in South Carolina had been dissolved, and had left Mr. Washington to run the prepaid local business in South Carolina but without authority from this Commission. On June 6, 2000, the Commission issued a Petition for a Rule to Show Cause as to why the Certificate of Public Convenience and Necessity of Connect Telecommunications, Inc. should not be revoked. Connect Telecommunications, Inc., through its attorney, requested that the Rule to Show Cause be held in abeyance in order to allow Mr. Washington, as Connect Telecommunications, LLC, to apply for and obtain his own Certificate of Public Convenience and Necessity to provide local exchange telecommunications services in South Carolina. The Commission issued Order No. 2000-616 on July 28, 2000, granting the request to hold the Rule to Show Cause in abeyance and allowing Mr. Washington the opportunity to file for authority to provide local exchange telecommunications services in South Carolina. Thereafter, Connect Telecommunications, LLC, applied to this Commission for local exchange authority.

A hearing was commenced on June 13, 2001, at 10:30 a.m., in the Commission's Hearing Room. The Honorable William Saunders, Chairman, presided. Connect was represented by William L. Pyatt, Esquire. Adelaide D. Kline, Staff Counsel, represented the Commission Staff. Steve W. Gunter, Auditor, Utilities Department, and Colanthia B. Alvarez, Rates Analyst, Utilities Department, testified on behalf of the Commission Staff.

D.D. Washington, President of Connect Communications, LLC, appeared and testified in support of the Application. Mr. Washington testified that he has a management/business background with the Circle K Corporation and that he additionally has three years of management experience in the telecommunications industry as the General Manager of Connect Telecommunications, Inc. in South Carolina. The record reveals that Mr. Washington has a bachelor's degree in economics from Voorhees College. The record further reveals that Connect is a privately-held South Carolina limited liability company that received authorization to transact business within the State of South Carolina on June 29, 2000. Upon receiving certification from the Commission, Connect expects to continue to offer, on a resale basis, a full array of local exchange services to residential and business customers. The Company currently provides and will continue to provide monthly recurring, prepaid, flat rate local exchange service, including extended service area, toll restriction, call control options, tone dialing, custom calling services to customers in South Carolina. Mr. Washington testified that the Company currently has 425 customers in South Carolina. He further testified that he has signed an interconnection agreement with BellSouth that is renewable every two years. Connect will resell local exchange telecommunication services in the service areas of the non-rural local exchange carriers (LECs) in the State of South Carolina. Connect will provide certain local services that

are available for resale by the underlying incumbent local exchange carriers (ILECs). Connect will not construct, operate, manage, own or lease any telecommunications facilities for the provision of its local services in the State of South Carolina.

Mr. Washington addressed Connect's managerial, financial, and technical ability to provide local exchange telecommunications services in South Carolina. Mr. Washington explained his background and experience in management positions with the Circle K Corporation for six years. He stated he had three years experience in the telecommunications industry and had been trained by BellSouth. Mr. Washington stated that his Company recently acquired a certified public accountant, Preston Franks. He said Mr. Franks would be the Company's financial contact person. The record reveals that Willie L. Stocker is the Accounting Technical Consultant and that Harvey Washington is a Vice President and Financial Advisor. He also said Jeff Carter is expected to join Connect as General Manager/Sales in the very near future. Mr. Washington will be the Company's regulatory contact person.

The record reveals that Connect will bill its customers directly. The Company's name, address and toll-free telephone number will appear on the bill. Additionally, the Company will operate a customer service department. Mr. Washington said Ernestine Stocker is the Company's customer service contact person. The toll-free telephone number is (800) 828-1801. At this time, Mr. Washington testified that his Company does not plan to do any telemarketing in South Carolina but is aware of the Commission's marketing guidelines.

Regarding the Company's financial ability to offer telecommunications services in South Carolina, Mr. Washington testified that Connect's financial ability has been evidenced by its financial statements that were submitted with the Application. He said that Connect has a

financial agreement with First Citizens Bank and a line of credit with American Express Corporation Division. Additionally, Mr. Washington testified that the partners would provide financial support should the Company need an influx of capital. He opined that Connect is in good financial position to offer services in South Carolina.

Steve W. Gunter, Commission Staff witness, testified that the Company submitted unaudited financial statements for the Company's operations as of December 31, 2000. He testified that the income statement dated December 2000 indicated a profit. He further stated that the Company had a current ratio of .76 which means that current liabilities exceeded current assets as of the date of the statement. Mr. Gunter opined that the Company's balance sheet showed no long-term debt at December 31, 2000. Mr. Gunter testified that in order for the Company to be able to continue to operate, it will have to either continue to operate at a profit and/or have some other source of working capital, coming from either debt or additional paid in capital by the owners. Mr. Gunter stated it was Commission Staff's opinion that Connect was in a position to operate in South Carolina. The Company requested the Commission's permission to be exempt from any record-keeping rules or regulations that might require the Company to maintain its financial records in conformance with the Uniform System of Accounts. According to the record, Connect currently maintains its book of accounts in accordance with the Generally Accepted Accounting Principles ("GAAP").

Ms. Alvarez presented testimony to the Commission on the findings of the Utilities Department with respect to Connect's Application for a Certificate of Public Convenience and Necessity. According to Ms. Alvarez, Connect seeks authority to resell local exchange telecommunications services within South Carolina. Connect requested a waiver of S.C.Code

Ann. Regs. 103-631 (1976) so that the Company will not be required to publish local exchange directories. According to the record, Connect will make arrangements with the incumbent local exchange carriers whereby the names of Connect's customers will be included in the directories published by the incumbent local exchange carriers. Further, Connect requested the waiver of any reporting requirements. Ms. Alvarez recommended that this waiver request be denied. She testified that Commission Staff recommends that all local exchange companies be required to file these reports for informational purposes. Ms. Alvarez also testified that Connect additionally requested that the Commission regulate its local service in accordance with the principles and procedures established for flexible regulation by Order No. 98-165 in Docket No. 97-467-C.

The testimony reveals Connect's presence in South Carolina as a telecommunications service provider will have a positive effect on the public interest. Upon receiving certification from the Commission, Mr. Washington testified Connect will abide by and comply with the Commission's rules and regulations and Commission Orders in its operations in South Carolina. Further, the testimony reveals Connect has never had an application for a certificate of public convenience and necessity denied. Further, he testified Connect will comply with South Carolina laws and with all applicable rules and regulations of the Commission. He agreed to make all tariff changes as suggested by the Commission Staff and additionally agreed to include the email address and telephone number on each tariff page. He agreed to file a copy of Connect's Bill Form with the final tariff as required by this Commission's regulations.

Upon consideration of the application and the record from the hearing, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Connect is organized as a limited liability company under the laws of the State of South Carolina.

2. Connect wishes to provide local exchange services within the State of South Carolina.

3. The Commission finds that Connect possesses the technical, financial, and managerial resources sufficient to provide the service requested. S.C. Code Ann. §58-9-280(B)(1) (Supp. 2000).

4. The Commission finds that Connect's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. §58-9-280(B)(3) (Supp. 2000).

5. The Commission finds that Connect will support universally available telephone service at affordable rates. S.C. Code Ann. §58-9-280(B)(4) (Supp. 2000).

6. The Commission finds that Connect will provide services which will meet the service standards of the Commission. S.C. Code Ann. §58-9-280(B)(2) (Supp. 2000).

7. The Commission finds that the provision of local exchange service by Connect "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 2000).

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Connect to provide competitive intrastate local exchange services within the State of South Carolina. The terms of the Stipulation

between Connect and the SCTC (attached hereto as Exhibit 1) are approved and adopted as a portion of this Order. Any proposal to provide local services to rural service areas is subject to the terms of the Stipulation. In accordance with the Stipulation, Connect may not provide any local service to a customer located in a rural incumbent LEC's service area, unless or until Connect provides such rural incumbent LEC and the Commission, written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. The Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while it conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon a showing of good cause. It is specifically provided that all rights under Federal and State law are reserved to the rural incumbent LECs, and this Order in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications as they may be entitled. If, after notice from Connect that it intends to serve a customer located in a rural incumbent LEC's service area, and the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law, or if the Commission institutes a proceeding of its own, no service may be provided by Connect in a rural incumbent LEC's service area pursuant to this Order without prior and further Commission approval.

2. Connect shall file, prior to offering local exchange services in South Carolina, its final tariff of its local service offerings conforming to all matters discussed with Staff and comporting with South Carolina law in all matters. Any proposed change in the rates reflected in

the tariff for local services which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 2000).

3. Connect shall resell or provide the services of only those companies authorized to provide telecommunications services in South Carolina by this Commission.

4. Connect shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

5. Connect shall file annual financial information in the form of annual reports and gross receipt reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Connect shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's web site at www.psc.state.sc.us/forms. This form is entitled "Annual Report for Competitive Local Exchange Carriers". Additionally, pursuant to the Commission's regulations, the Company shall file a CLEC Service Quality Quarterly Report with the Commission. The proper form for this report is Form #110 and can be found at www.psc.state.sc.us/forms/default.htm.

6. Title 23, Chapter 47, South Carolina Code of Laws Ann., governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity

of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs Connect to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate 911 service authorities is to be made before beginning telephone service in South Carolina. Accompanying this Order is an information packet from the South Carolina Chapter of the National Emergency Number Association ("SC NENA") with contact information and sample forms. The Company may also obtain information by contacting the E911 Coordinator at the Office of Information Resources of the South Carolina Budget and Control Board. By this Order and prior to providing services within South Carolina, Connect shall contact the 911 Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding the Company's operations as required by the 911 system.

7. The Company shall, in compliance with Commission regulations, designate and maintain authorized utility representatives who are prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the names of the authorized representatives to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

Connect shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form the Company shall use to file this authorized utility representative information can be found at the Commission's website at www.psc.state.sc.us/forms. This form is entitled "Authorized Utility Representative Information." Further, the Company shall promptly notify the Commission in

writing if the representatives are replaced. Connect shall also file with the Commission a copy of its general Bill Form as required by S.C. Code Regs. 103-612.2 and 103-622 (1976 and Supp. 2000).

8. Connect requested waivers from certain Commission regulations and requirements. Specifically, Connect requested a waiver from the requirement found in Rule 103-631 to publish and distribute local exchange directories. The Company also requested permission to exempt it from any requirement to maintain books and records in compliance with the USOA. The Commission grants the request for waiver from the requirement to publish directories as Connect has indicated that it will contract with the incumbent local exchange company to include the customers of Connect in the directory listing of the ILEC directory. Further, the Commission grants Connect's request that it be allowed to keep its books and records in accordance with GAAP rather than the USOA. The Commission denies the Company's request to be exempt from reporting requirements. The Commission grants Connect's request that its local service be regulated in accordance with the principles and procedures established for flexible regulation by Order No. 98-165 in Docket No. 97-467-C.

9. Connect is directed to comply with all Commission regulations, unless a regulation is specifically waived by the Commission.

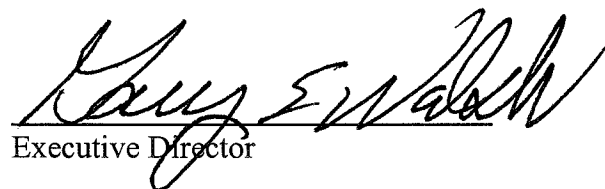
10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:


Executive Director

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2001-109-C

Re:	Application of Connect Telecommunications, LLC)	
	for a Certificate of Public Convenience and)	
	Necessity to Provide Local Exchange Service in)	
	the State of South Carolina)	
)	STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Connect Telecommunications, Inc. ("Connect") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, the necessity for SCTC's intervention in this matter is avoided and SCTC withdraws its opposition to Connect's Application. SCTC and Connect stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Connect, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. Connect stipulates and agrees that any Certificate which may be granted will authorize Connect to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. Connect stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. Connect stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless

and until Connect provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Connect acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Connect stipulates and agrees that if, after Connect gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law, or the Commission institutes a proceeding of its own, then Connect will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Connect acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

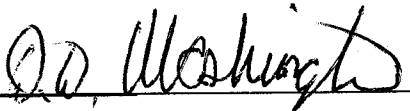
7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. Connect agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

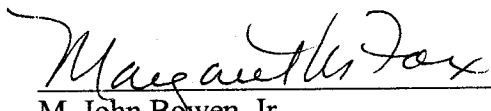
9. Connect hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 6th day of June, 2001.

Connect Telecommunications, LLC



South Carolina Telephone Coalition:



M. John Bowen, Jr.

Margaret M. Fox

McNair Law Firm, P.A.

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Columbia, South Carolina 29201

(803) 799-9800

Attorneys for South Carolina Telephone
Coalition

ATTACHMENT A

South Carolina Telephone Coalition Member Companies for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.
Chesnee Telephone Company
Chester Telephone Company
Farmers Telephone Cooperative, Inc.
Ft. Mill Telephone Company
Heath Springs Telephone Company Inc.
Home Telephone Company, Inc.
Lancaster Telephone Company
Lockhart Telephone Company
McClellanville Telephone Company
Norway Telephone Company
Palmetto Rural Telephone Cooperative, Inc.
Piedmont Rural Telephone Cooperative, Inc.
Pond Branch Telephone Company
Ridgeway Telephone Company
Rock Hill Telephone Company
Sandhill Telephone Cooperative, Inc.
St. Stephen Telephone Company
West Carolina Rural Telephone Cooperative, Inc.
Williston Telephone Company

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

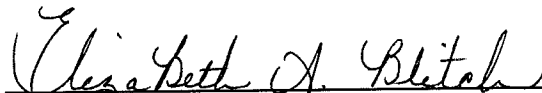
Docket No. 2001-109-C

Re: Application of Connect Telecommunications,)
LLC for a Certificate of Public Convenience)
and Necessity to Provide Local Exchange)
and Telecommunications Services in the State)
of South Carolina)
_____)

**CERTIFICATE OF
SERVICE**

I, ElizaBeth A. Blich, do hereby certify that I have this date served one (1) copy of the foregoing Stipulation upon the following party of record by causing said copy to be deposited with the United States Mail, first class postage prepaid to:

William L. Pyatt, Esquire
1513 Bush River Road
Columbia, South Carolina 29210.


ElizaBeth A. Blich, Legal Assistant
McNAIR LAW FIRM, P.A.
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Columbia, South Carolina 29211
(803) 799-9800

June 6, 2001

Columbia, South Carolina